

# **SECTION 15**

## **JOURNAL POLICY**



## **NALEDI LOCAL MUNICIPALITY**

Council resolves to adopt the following proposal as the Journal Policy of the Naledi Local Municipality

Policy effective date: [30 May 2012]

Approved date: [29 May 2012]

Resolution: [141/2012]

# NALEDI LOCAL MUNICIPALITY

## JOURNAL POLICY

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### 1. OBJECTIVE

1.1. The objective of this policy is to address the process to effectively process journal entries in the financial system of the municipality to ensure accurate financial reporting.

1.2. Journal entries are processed in instances, but not limited to, where there is:

- Incorrect receipting by cashiers
- Return to Drawer (RD) cheques;
- Correction of misallocation of postings between votes
- Allocations at year end for the preparation of annual financial statements

The following types of Journals can be posted but not limited to:

- Accruals
- Fixed Assets
- Consumer deposits
- Credit Cards
- General
- Income
- Investments
- Sales
- LED
- Debtors
- Recurring
- Salaries

1.3. The policy sets out the assumptions and methodology for estimating the following:

- 1.3.1. Contents of a journal
- 1.3.2. Initiation of journals
- 1.3.3. Approval of journals
- 1.3.4. Capturing/processing of journals

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### 1.3.5. Year end journals

## 2. LEGISLATIVE REQUIREMENTS

The Accounting Officer is responsible for the general financial management functions of a municipality. In terms of the Municipal Finance Management Act No. 56 of 2003 Sec 62(1) he/she must for this purpose take all reasonable steps to ensure:

- a) that the resources of the municipality are used effectively, efficiently and economically;
- b) that full and proper records of the financial affairs of the municipality are kept in accordance with any prescribed norms and standards;
- c) that the municipality has and maintains effective, efficient and transparent systems—
  - i. of financial and risk management and internal control; and
  - ii. of internal audit operating in accordance with any prescribed norms and standards;
  - iii. that unauthorized, irregular or fruitless and wasteful expenditure and other losses are prevented;
- d) that disciplinary or, when appropriate, criminal proceedings are instituted against any official of the municipality who has allegedly committed an act of financial misconduct or an offence in terms of Chapter 15.

### Delegations

- a) The Accounting Officer may delegate to a member of the municipality's top management (Chief Financial Officer) or any other official of the municipality in terms of section 79 (1) (b) of the MFMA:
  - i. Any powers or duties assigned to an AO in terms of the Act, or
  - ii. Any powers or duties reasonably necessary to assist the AO in complying with a duty which requires the AO to take reasonable or appropriate steps to ensure the achievement of the aims of a specific provision of this Act
- b) Furthermore in terms the MFMA, Section 80(1)(a) the budget and treasury office consists of a chief financial officer designated by the accounting officer of the municipality. The role of the chief financial officer is defined in section 81(1) as:
  - i. is administratively in charge of the budget and treasury office;
  - ii. must advise the accounting officer on the exercise of powers and duties assigned to the accounting officer in terms of this Act;

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- iii. must assist the accounting officer in the administration of the municipality's bank accounts and in the preparation and implementation of the municipality's budget;
  - iv. must advise senior managers and other senior officials in the exercise of powers and duties assigned to them in terms of section 78 or delegated to them in terms of section 79; and
  - v. must perform such budgeting, accounting, analysis, financial reporting, cash management, debt management, supply chain management, financial management,
  - vi. review and other duties as may in terms of section 79 be delegated by the accounting officer to the chief financial officer.
- c) Therefore in terms of the Act and this policy the Chief Financial Officer is responsible for accounting for journals entries.

### 3. CONTENTS OF A JOURNAL

A standard accounting journal of a municipality should reflect all of the following:

- a) Date of the journal
- b) Debit amount
- c) Credit amount
- d) Prepared by
- e) Authorised by
- f) General ledger account number (both debit and credit)
- g) Journal narration/description
- h) Reference number
- i) Journal sequence number

### 4. INITIATION OF A JOURNAL

- a) There should be a valid and appropriate reason for posting a journal.
- b) The chief financial officer of a municipality posting a journal should ensure that the journal has a correct date of the transaction.
- c) The chief financial officer should ensure that the correct votes/accounts as per the standard chart of accounts are both debited and credited with the correct amounts

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- d) The debit and credit amount of a journal correspond to the supporting documents
- e) The chief financial officer should ensure that the journal amounts are mathematically correct.
- f) The journal must be signed off by the preparer.

### **5. APPROVAL OF A JOURNAL**

- a) The preparer of the journal should make sure that they write their name as the preparer of the journal and sign the journal.
- b) The preparer must make sure the journals are numbered sequentially and follows on the previous journal processed in the system.
- c) Before a journal is processed it should be approved by the chief financial officer, to ensure the correctness and appropriateness of the journal being processed.
- d) The chief financial officer should ensure that the journals are supported by appropriate and sufficient supporting documents.

### **6. CAPTURING/PROCESSING OF A JOURNAL**

- a) The chief financial officer delegated officially to process the journals on the accounting system will do so after the journal has been reviewed and approved by a senior official delegated to do so.
- b) The chief financial officer should ensure that journals are filed sequentially with their supporting documents to ensure a clear audit trail.

### **7. YEAR END JOURNALS**

The financial manager or an official delegated by the Chief financial officer prepares the closing off journals which can be posted to the financial statements with appropriate and sufficient supporting documents and the Chief Financial Officer authorises them.

### **8. DELEGATION OF POWERS**

This policy should be applied with due observance of the Municipality's policy with regard to delegated powers. Such delegations refer to delegations between the Council and Municipal

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Manager as well as between the Municipal Manager and other responsible officials. All delegations in terms of this policy document should be recorded in writing.

### **9. IMPLEMENTATION OF THIS POLICY**

This policy will be effective from the date the policy is approved per council resolution.

The implementation of this policy cannot be backdated and all sections thereof will only be implemented from date of approval.